

Message Text

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ACTION EUR-10

INFO OCT-01 SS-14 ISO-00 NSC-07 NSCE-00 PM-03 CIAE-00

INR-11 NSAE-00 RSC-01 DODE-00 L-02 EB-03 PRS-01 SAJ-01

DRC-01 /055 W

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R 031645Z SEP 74

FM AMEMBASSY BONN

TO SECSTATE WASHDC 4782

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY SOFIA

AMEMBASSY WARSAW

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY LONDON

USMISSION NATO BRUSSELS

USMISSION BERLIN

C O N F I D E N T I A L BONN 13900

LIMDIS

NOFORN

E.O. 11652: GDS

TAGS: PFOR, GW, YO

SUBJECT: DIFFICULTY BETWEEN FRG AND YUGOSLAVIA OVER
LOAN AGREEMENT

1. YUGOSLAV DESK OFFICER IN FONOFF HAS TOLD EMBOFF IN
STRICT CONFIDENCE ABOUT PROBLEMS WHICH HAVE HELD UP
COMPLETION AND SIGNATURE OF FRG-YUGOSLAV AGREEMENT ON
DM700 MILLION LOAN.

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2. MAIN DIFFICULTY RELATES TO BERLIN BUT, INTERESTINGLY

ENOUGH, NOT TO BERLIN CLAUSE AS SUCH. ARTICLE 6 OF THE INITIALLED AGREEMENT CONTAINS TRADITIONAL BERLIN CLAUSE, I.E. ONE REFERRING TO "LAND BERLIN" AND CONTAINING NO REFERENCE TO QUADRIPARTITE AGREEMENT. YUGOSLAVS ARE MAKING NO DIFFICULTIES OVER THIS. HOWEVER THEY HAVE ASKED FOR THE REMOVAL OF ARTICLE 5, WHICH STIPULATES THAT IN THE EXPENDITURE OF FUNDS UNDER THE LOAN, "PREFERENTIAL CONSIDERATION" SHALL BE GIVEN TO PRODUCTS OF "LAND BERLIN." YUGOSLAVS HAVE STATED THAT THEY WOULD BE WILLING TO TRY TO COVER THIS POINT THROUGH A SEPARATE EXCHANGE OF LETTERS OR IN SOME OTHER WAY, SO LONG AS IT DOES NOT APPEAR IN THE AGREEMENT PROPER. GERMANS HAVE AS YET MADE NO DECISION ON HOW TO RESPOND, BUT OUR CONTACT THOUGHT THEY WOULD ACCEDE TO YUGOSLAV WISHES.

3. ONLY OTHER PROBLEM RELATED TO YUGOSLAV DESIRE RE-WORD PREAMBLE SO AS TO MAKE IT EASIER FOR YUGOSLAV AUTHORITIES TO PRESENT THE AGREEMENT CONVINCINGLY AT HOME AS ONE WHICH REPRESENTS SATISFACTORY SOLUTION OF INDEMNIFICATION QUESTION. IT APPEARS THAT, AFTER INITIALLING JUST PRIOR TO TITO VISIT, AGREEMENT TEXT WAS CIRCULATED TO PARTY AUTHORITIES IN YUGOSLAVIAN PROVINCIAL CAPITALS, AND THE REACTION FROM MANY OLD PARTISANS AND PARTY MEMBERS WAS NOT UNIFORMLY FAVORABLE. IT WAS AS A CONSEQUENCE OF THIS NEGATIVE ECHO THAT YUGOSLAV FONOFF DECIDED TO SEEK SOME RE-WORDING OF PREAMBLE. AGAIN OUR CONTACT, SAID HE FELT A WAY COULD BE FOUND AROUND THIS PROBLEM. INDEED HE SEEMED REASONABLY CONFIDENT THAT THE AGREEMENT WOULD BE READY FOR SIGNATURE BY THE LATTER HALF OF SEPTEMBER.

4. OUR CONTACT STRESSED THE CONFIDENTIALITY OF THIS INFORMATION AND WE ACCORDINGLY REQUEST ADDRESSEES REGARD IT AS STRICTLY NOFORN.
CASH

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